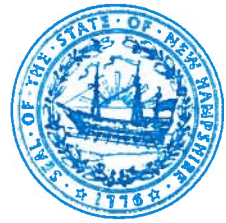




The State of New Hampshire
Department of Environmental Services

Clark B. Freise, Assistant Commissioner



February 7, 2017

The Honorable Richard Barry
Chair, House Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, New Hampshire 03301

Re: HB141 - An Act relative to electric renewable energy classes

Dear Chair Barry and Members of the Committee:

Thank you for the opportunity to comment on HB141, relative to electric renewable portfolio standards (RPS) classes. House Bill 141 would allow other¹ hydroelectric sources to satisfy up to 5 percent of Class I renewable energy goals under certain circumstances under New Hampshire's RPS statute (RSA 362-F *Electric Renewable Portfolio Standard*). The New Hampshire Department of Environmental Services (NHDES) opposes this bill.

New Hampshire (NH) is one of twenty-nine states that have implemented an RPS. Adopted in 2007 (HB 873, *An Act establishing minimum renewable standards for energy portfolios*), the RPS was the result of a thorough and deliberate two year stakeholder effort involving the state's business interests, environmental organizations, utilities, renewable electricity suppliers and developers, and other energy interests. The RPS includes four existing renewable energy certificate (REC) classes that represent a delicate balance achieved through this deliberative process. These REC classes are designed to encourage the development of new renewable resources while preserving vulnerable existing sources. Large hydroelectric sources were not deemed to be "vulnerable". Supporters recognized that renewable energy generation technologies provide fuel diversity to the state and New England. The RPS facilitates displacement of fossil fuels by local renewable fuels and resources and helps stabilize energy costs by reducing exposure to volatile gas and oil prices. Increased use of renewables also reduces emissions of air pollutants, thereby improving air quality and protecting public health. Widespread bipartisan support for the RPS was reflected during its adoption 2007, with the House of Representatives voting 253 to 37 and the Senate voting unanimously 24-0 in favor of the legislation. Allowing other hydroelectric sources to satisfy up to 5 percent of Class I renewable energy goals is unwarranted, and would contradict the policy of incentivizing

¹ HB 141 defines "other hydroelectric sources" as "hydroelectric sources that do not otherwise meet the requirements of RSA 362-F:4, I"

increases in renewable energy, as reflected in the 2014 *"New Hampshire 10-Year State Energy Strategy"*².

The changes proposed in HB 141 would promote instability and lack of certainty in the RPS program for the regulated community. It should be noted that the RPS statute was significantly revised by legislation in both the 2012 (SB 218) and 2013 (HB 542) sessions. Numerous studies and reports have concluded that such instability disrupts developing markets and decreases the economic benefits of enhancing the use of in-state renewable energy resources. Findings from some of these studies include:

- The HB 542 RPS Study Committee (fall, 2013) concluded that *"...after extensive debate and changes to New Hampshire' RPS law in the 2012 and 2013 legislative session, it is appropriate to see how those changes impact the production of renewable energy in New Hampshire and New England. The committee thus recommends no further legislation at this time."*
- The September 2014 *New Hampshire 10-Year State Energy Strategy* (Senate Bill 191, 2013) noted that *"frequent changes to the RPS in recent years have disrupted the market's development"* and *"to realize the full economic and security benefits of in-state energy, the State must recommit to a strong and stable RPS."*
- The November 2012 *Final Report on the New Hampshire Independent Energy Study* from the Energy Efficiency and Sustainable Energy Board (pursuant to SB 323, 2010) noted the need for a *"clear, coordinated, and consistent policy and program landscape"*.
- A 2011 Public Utilities Commission (PUC) review of the RPS program³, including several meetings to seek market information and stakeholder input, concluded that the state should: *"Maintain the existing class obligations in favor of policy consistency and predictability for the renewable energy industry, particularly given the inability of NH to significantly affect the regional REC market and the potential for increased rate impacts if the class obligations were to increase."*

The market for NH RECs is complex and highly influenced by the regional nature of the New England electric "grid" and differing state RPS requirements. Energy supply projects require long-term planning and, therefore, benefit from long-term certainty in the market. Absent such certainty, developers' ability to secure financing supported by anticipated REC income is significantly impaired. NHDES feels that long term market stability is the best solution for ensuring compliance with the RPS, as the goal of the program is to see increased development of renewable resources in the region, as opposed to alternative compliance payments and as opposed to allowing power from other hydroelectric sources to meet the goals. Allowing power from other hydroelectric sources to meet the goals undermines the purpose and the

² <http://www.nh.gov/oep/energy/programs/documents/energy-strategy.pdf>

³ PUC Report dated November 1, 2011 <http://www.puc.nh.gov/Shas/PreviouslySustainable%20Energy/RPS/RPS%20Review%202011.pdf>

stability of the RPS. Future revisions should be based on sound market information and analysis, and carefully consider any long term implications.

Thank you again for the opportunity to comment on HB 141. If you have any questions or require further information, please contact either Michael Fitzgerald, Assistant Director (michael.fitzgerald@des.nh.gov, 271-6390) or Joseph Fontaine, Technical Programs Manager (joseph.fontaine@des.nh.gov, 271-6794).

Sincerely,



Clark B. Freise
Assistant Commissioner

cc: Sponsors of HB: Rep. Murotake, Vose, Edwards, Aldrich, Gauthier

